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MICHAEL RODAK, JR., CLERK

Supreme Court of the United States

October Term, 1974

No. 74-207

AKRON PRESFORM MOLD COMPANY,
Petitioner,

vs.

McNEIL CORPORATION, *et al.*,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF OF RESPONDENT McNEIL CORPORATION IN OPPOSITION

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STATEMENT

This litigation was commenced on July 3, 1968 as three separate actions. The Complaints allege unlawful conspiracies involving the Respondents, McNeil Corporation ("McNeil"), Sun Corporation ("Sun"), and The B. F. Goodrich Company ("Goodrich"). Respondent McNeil is a party to two of the three actions.

Central to this and other related litigation matters is Respondent Sun's Molitor U.S. Patent No. 2,629,134 ("Molitor Patent"), which expired on February 24, 1970. At a time in the past the Molitor Patent was of some sig-

nificance in the plastics molding industry with some twenty licensees thereunder and a number of litigation matters precipitated thereby. Since 1970, however, the licensees no longer pay royalties, all litigation matters except this action have been disposed of and the former significance of the Molitor Patent has diminished to a matter primarily of historical interest.

Although not directly pertinent to the precise bases for the dismissal of these cases below, Petitioner's statement[1] with respect to the disposition of the Second Circuit litigation (P. 5-7)[2] is sufficiently incomplete as to be misleading as to the substantive merits of the allegations contained in the dismissed complaints herein. The Second Circuit District Court in *Barr v. Sun*, 277 F. Supp. 484 (S.D.N.Y. 1967), 425 F.2d 1114 (2d Cir.), *cert. denied.*, 400 U.S. 878 (1970), considered conspiracy allegations paralleling those herein with respect to the Respondents, McNeil and Goodrich, in relation to the party Sun and found them to be "baseless in fact or in law or both" (277 F. Supp. 484 at 505). This conclusion was affirmed by the Court of Appeals for the Second Circuit in the following words: "We agree" (425 F.2d 1114 at 1127).

In addition, Petitioner's statement in the characterization of the Second Circuit decision with respect to the fraud and perjury issues suggests that the Second Circuit disputed some findings of the trial court, was dissatisfied with the notice provided to the party Sun of the existence of such issues and an insufficiently recited standard of proof for such findings, and remanded for retrial on questions of validity of the Molitor Patent (P. 7). Actually

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[1] A more complete history of this and related cases is presented in the District Court Decision here below under the heading "Background" (A. 19-22).

[2] Petitioner's Petition for Writ of Certiorari so indicated herein.

the Second Circuit Court of Appeals found that the New York District Court committed procedural error by applying an improper standard of proof in regard to the fraud and perjury issues and concluded, irrespective of the standard of proof applied (425 F.2d at 1121), after an extended review of the proofs involved (425 F.2d 1114, 1121-1125), that "The District Court's finding of perjury was clearly erroneous" (425 F.2d at 1125). In noting the reliance placed herein by Petitioner on the New York District Court fraud and perjury findings, the Court of Appeals here below significantly stated:

> "The fact that the Second Circuit remanded the case for new trial on the issue of patentability does not detract from the Second Circuit's decision reversing the District Court's findings of fraud and perjury." (A. 13)

ANALYSIS OF PETITIONER'S "QUESTIONS PRESENTED"

Petitioner's "Questions Presented" do not readily lend themselves to analysis since, as is hereinafter detailed, they are based upon facts not of record, pose hypothetical questions, and/or raise matters not considered or decided by the Court of Appeals' decision below.

These substantial deficiencies in each of the first four questions addressed to the aspects of the decisions below extending to McNeil make it difficult, if not impossible, to pose rephrased questions in a meaningful form. Accordingly, McNeil will not attempt to create nonexistent questions, but relies on the hereinafter demonstrated absence of any question of which this Court should take cognizance.

RESPONSE TO PETITIONER'S REASONS FOR GRANTING THE WRIT AND REASONS WHY THE WRIT SHOULD NOT BE GRANTED

FIRST QUESTION: The first question presented by Petitioner was not decided by the Court of Appeals below, and is in two parts which neither separately nor in combined form present a question which is supported by the record herein.

The first part of Petitioner's first question states:

> "1. Where conspirators work active frauds on the Courts to secure and maintain an adjudication of contributory infringement of a patent in order to monopolize the substantial relevant markets to which the patent pertains and thereafter further conspire to reinforce that objective, does the thereby falsely adjudicated contributory infringer, enjoined for the balance of the life of the patent, have a cause of action for violation of the anti-trust laws of the United States?" (P. 2)

This question appears to raise an issue as to whether a cause of action is stated by allegations of the Complaint in Case No. C68-487 below. Since the dismissal of these cases is predicated insofar as Respondent McNeil is concerned, on the statute of limitations, the question of whether one or more Complaints in the cases below state a cause of action is totally immaterial. Further, such a question was not presented to either the District Court or the Court of Appeals and there was, necessarily, no decision rendered below in this respect.

Part (a) of question 1 makes a further query as follows:

> "(a) and, if so, does not the cause of action of the fraudulently adjudicated contributory infringer continue to accrue until the injunction expires upon expiration of the patent?" (P. 2)

This question is predicated upon a premise directly contrary to an express finding of fact by the District Court upon uncontroverted evidence. In addition, the question was not raised on appeal and therefore not decided by the Court of Appeals. The Petitioner, in characterizing this question as "unsolved" because "avoided by the Courts below or which eluded them" (P. 11) thus acknowledges the absence of a decision on such a question below.

Petitioner characterizes a 1960 injunction entered against Presform in conjunction with the issuance of the mandate in *Sun Rubber Co. v. National Latex Products Company, and Akron Presform Mold Company,* 159 F. Supp. 661 (N.D. Ohio), 274 F.2d 224 (6th Cir. 1959), *reh. den.* 276 F.2d 167 (1960), *cert. denied* 362 U.S. 989 (1960), as "a major prop, if not the very foundation of the conspiracy." Petitioner's argument is grounded on the contention that Presform was "falsely adjudicated" a contributory infringer for the reason that the Presform machines were also suitable for a substantial non-infringing use with respect to the process claims of the Molitor Patent and that there has been no denial that such knowledge was possessed by the opposing parties nor denial that such knowledge would have absolved Presform of the charge of contributory infringement (P. 11). These contentions, never having been presented or litigated, and, accordingly not deserving of denials, are totally hypothetical for the reason that there is documentation of record in this case which expressly demonstrates that Presform had knowledge of and even made contentions as to the existence of non-infringing uses for its machines at the time of the issuance of the 1960 injunction. The District Court in this case expressly found with respect to Petitioner's knowledge of the non-infringing use as follows:

> "In this respect, the evidence is uncontradicted that the plaintiff was informed by Sun in 1960 of the existence of a non-infringing use. See Exhibit 1 of McNeil. Accordingly, Presform cannot avoid the statute of limitations by means of the fraudulent concealment rule." (A. 33)

Since the document referred to by the District Court succinctly destroys the entire factual premise for this question, a copy is attached hereto as Addendum 1 and attention is respectfully directed to Paragraph 5 thereof.

Besides the total lack of any factual basis for this question there is no conflict with any prior decision of this Court or to Respondent McNeil's knowledge any other significant decision regarding this question.

Petitioner's argument concerning this question largely constitutes an obviously labored attempt to in some manner raise a question based upon statements made by the Court of Appeals below in dealing with factually unsupported contentions made by Petitioner below. Faced with an uncontroverted factual situation wherein it was noted by the District Court that all the overt acts complained of (A. 32) and the resultant damages were incurred (A. 33) more than four years before the filing of the complaints herein, thereby barring the claims under the controlling statute of limitations, Petitioner attempted to extricate itself in the Court of Appeals by certain strained interpretations of recent decisions of this Court. Petitioner now urges that the Court of Appeals attempts to clarify and dispose of its arguments raises confusion which requires clarification by this Court, and even goes to the extreme of misconstruing the Court of Appeals' decision in an effort to create this so-called confusion.

Petitioner accuses the Court of Appeals of implying that *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), may not apply

to conspiracies to maintain a patent maintained by fraud. Since Presform had argued to the Court of Appeals that it had no cause of action until this Court decided the *Walker* case, the Court of Appeals in pointing out that *Walker* did not create a new-type cause of action with respect to conspiracies stated as follows:

> "Further, Presform contends that it was not until the Supreme Court's decision in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), that its cause of action became definite. In *Walker*, the Supreme Court held that fraud in the procurement and maintenance of a patent may be actionable under the anti-trust laws provided all other elements of a monopolization charge are proven. *Walker* says nothing about conspiracy claims, which are alleged in each of Presform's three actions, and thus plainly does not excuse Presform's delay in bringing its conspiracy charges." (Footnote omitted.) (A. 13)

Petitioner quoted only the last sentence of the Court's comments on *Walker* and thereafter erroneously concluded that the Court of Appeals held that "*Walker* does not reach to conspiracies." Taken in its full context, it is clear that the Sixth Circuit's statement, that "*Walker* says nothing about conspiracy claims," refers to conspiracy charges other than alleged conspiracies to maintain a patent obtained or maintained by active fraud, thereby providing no excuse for failing to timely assert the conspiracy charges herein. Further, although *Walker* represents the first time that this Court had decided the issue of whether the anti-trust laws permit private recovery for fraudulently obtaining and enforcing a patent provided the other elements of a monopolization charge are proven, earlier lower court decisions had sanctioned such causes of action. See, for example, *Clinton Engines Corp. v. Briggs & Stratton Corp.*, 175 F. Supp. 390 (E.D. Mich.

1959) and *Wooldridge Mfg. Co. v. R. G. LaTourneau Inc.*, 79 F. Supp. 908 (N.D. Cal. 1948). Since a party is required to go forward with a claim even when faced with a directly adverse precedent in situations where this Court has not spoken on a subject, it is abundantly clear that no excuse is provided when sanctioning authority exists although this Court has not established a precedent.

As a corollary to the erroneous contention that no definite or ascertainable cause of action existed until the *Walker* decision, Petitioner argued to the court below that until *Walker* its cause of action was speculative and that *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321 (1971) therefore tolled the statute of limitations. The Court of Appeals' decision in pointing out that *Zenith* tolls the statute of limitations where "*damages* are speculative, not where the very existence of the *cause of action* is speculative" (A. 13) disposed of Petitioner's contention in this respect. Petitioner now apparently challenges this explanation by declaring that it is confusing "how damages would be other than speculative if the cause of action therefor is speculative" (P. 11). Since no question of the tolling of the statute of limitations would exist with respect to a speculative cause of action because the statute does not begin to run until such time as a cause of action has "accrued," Title 15 U.S.C. § 15b, the question of how damages would be other than speculative if the cause of action therefor is speculative would not seem to require clarification herein since the question not only is not reached herein but will never be reached.

Petitioner's final contention relates to the 1960 injunction which was entered at the termination of the *Sun v. National Latex* litigation. Petitioner contends that the injunction must be deemed a continuing act until expiration of the Molitor Patent in February of 1970. To the extent that such might be deemed an overt act by a party,

such is material only in the context of Petitioner's statement of the rule that *Zenith* provides that the statute of limitations does "not commence to run until the *end* of the last harmful act and damages have become certain" (emphasis added) (P. 11, 12). The Court of Appeals appropriately found that *Zenith* and other cases hold that "this statute of limitations commences to run from the commission of the last overt act causing injury or damage" (A. 11), rather than the "end" of the last harmful act as Petitioner contends *Zenith* holds. Since *Zenith* does not so hold and Petitioner points out no authority supporting this contention, the effect of which would totally defeat in many instances the purpose for a statute of limitations, as pointed out by the Court below in referring to this Court's decision in *Order of Railroad Telegraphers v. Railway Express Agency, Inc.*, 321 U.S. 342 (1944) (A. 11), no issue is presented for this Court's determination.

In view of this Court's practice with respect to hypothetical questions, particularly where not factually grounded on the record such as to affect the rights of the parties, no further comment on this question or its supporting argument is merited.

SECOND QUESTION: Initially, the decision below did not in any way turn upon an assignment of burden of proof with respect to establishing that the statutory time after accrual of the cause of action lapsed before filing of the complaints herein. McNeil and the other respondents herein demonstrated that all overt acts allegedly causing damage took place well prior to four years prior to the filing of the complaints herein, namely, about six and seven years in the '487 and '489 cases, respectively (A. 32, 38). Since there were no contrary allegations and no exhibits or other probative evidence submitted in behalf of Petitioner, the District Court noted that it had ex-

amined the pleadings, briefs and exhibits and found that it was "uncontradicted by the Plaintiff that the overt acts of the Defendants as alleged" (A. 32, 38) occurred more than four years prior to the filing of the complaints herein. Without allegation, affidavit, or other demonstration Petitioner endeavored to argue that the prima facie application of the statute of limitations did not apply for the reason that fraudulent concealment or the *Zenith* exceptions were applicable. Presform would seem to now argue that McNeil and the other respondents must necessarily demonstrate the absence of any possibility of exceptions to the application of the statute of limitations. This contention is fully answered by the District Court reference to this Court's holding in *First National Bank of Arizona v. Cities Service Company*, 391 U.S. 253, 289 (1968) with the following statement:

> "When a motion for summary judgment is made, 'a party cannot rest on the allegations contained in his complaint in opposition to a properly supported motion made against him.' " (A. 22-23)

Certainly without the existence of even allegations, let alone affidavits or other probative material, the burden of proof question cannot arise when all the proofs standing uncontroverted establish that the statute of limitations has run.

To the extent that it is understood, Petitioner's argument in support of this question appears to attribute to the Court of Appeals below, the position that the " 'commencement' of a conspiracy" (P. 13) commences the running of the statute of limitations. The Court of Appeals' comments with respect to acts commencing an alleged conspiracy were made in the context of determining whether any injurious, overt act occurred within four years of the filing of the complaints herein. The full context of the Court of Appeals' decision in this respect is as follows:

> "Since the complaints in the present action were filed on July 3, 1968, the first question is whether any injurious overt act has occurred since July 3, 1964. Presform admitted to the trial court that all acts commencing the alleged unlawful conspiracies began more than four years before the filing of the complaints in these actions, but contended that its antitrust claims were not barred because its claims fell within the *Zenith* and fraudulent concealment exceptions to the application of the statute of limitations." (A. 12)

Since it was established in the District Court and upon review by the Court of Appeals that "all the overt acts" (A. 32, 12) and therefore necessarily the last overt act as well as the resultant damage took place well before four years prior to the filing of the complaints, the factual situation falls directly within the controlling authority. Clearly, the courts below did not hold that, and the facts do not present a question as to whether, the commencement of a conspiracy commences the running of the statute of limitations.

Without pointing to a single instance where pleadings were not construed in Petitioner's favor and Petitioner was not given the benefit of all favorable inferences, Petitioner attempts to pose a question as to whether there is a conflict with a prior decision of this Court, *Poller v. Columbia Broadcasting System*, 368 U.S. 464 (1962) or a prior decision of the Court below, *McHenry v. Ford Motor Co.*, 269 F.2d 18 (6th Cir. 1959). The Court of Appeals' mindfulness of these construction principles is amply demonstrated by the following discussion:

> "Finally, Presform contends that these actions were inappropriate for disposition on summary judgment, Rule 56, Fed. R. Civ. P. Presform relies on *McHenry v. Ford Motor Co.*, 269 F.2d 18, 22 (1959),

wherein this court stated:

> 'It is the established rule of the federal courts in construing rule 56 that a summary judgment should be entered only in cases where there is no genuine issue as to any material fact . . . On considering such a motion the pleadings are to be liberally construed in favor of the party opposing the motion. *Purity Cheese Co. v. Frank Ryser Co.*, 7 Cir., 153 F.2d 88; *Wittlin v. Giacalone*, 81 U.S. App.D.C. 20, 154 F.2d 20. Moreover, the court is required to take the view most favorable to the party opposing the motion, giving that party the benefit of all favorable inferences that may be drawn from the evidence.'
>
> Although Presform persistently has relied on its factual allegations on the merits of its claims, it has been unable to demonstrate a genuine issue as to material fact relevant to the limitations defense, the basis on which the actions were dismissed by the District Court. Following the mandate of *McHenry*, we, therefore, conclude that the District Court properly disposed of these cases by means of summary judgment for the appellees." (A. 16, 17)

In view of the express consideration by the Court of Appeals of the allegedly overlooked law in the Court below, it is submitted that no question for consideration by this Court is presented.

The above noted persistent reliance on the merits of its claims as pointed out by the Court of Appeals, which has also permeated Petitioner's Reasons for Granting the Writ, should not be permitted to color the questions herein presented. In this respect, it is significant that these contentions on the merits were considered by the Court of Appeals for the Sixth Circuit in Petitioner's Motion for Recall of Mandate and Leave to File Bill of Review in the *Presform v. Sun* litigation which was denied (A. 42, 43) and again in the subsequent Petition for Re-hearing which was also denied (A. 41).

THIRD QUESTION: This question and the argument presented in support of it are indeed peculiar. First, the pending patent application which is the document referred to was not of record in either of the courts below nor was any attempt ever made to place the subject document in the record of this case. Therefore, not surprisingly, the Court below did not decide the question of whether "a plaintiff [is] barred by the statute of limitation for failing to locate statutorily privileged documents" (P. 14) and necessarily could not have erroneously so held. The essence of this argument appears to be that Presform was without knowledge of a pending U.S. patent application owned by Respondent Sun and maintained in secrecy pursuant to 35 U.S.C. § 122. The document allegedly demonstrates that Respondent Sun was aware of substantial non-infringing uses for the Presform machinery which would have made the 1960 injunction improper. In a factual sense, the only document of record bearing on this question is a letter by Presform's attorney written in 1960 which demonstrates that Presform already had knowledge of non-infringing uses at that time (Addendum I hereto). Since Petitioner was aware of and asserting the pertinent information contained in the secret document, it is difficult to see how Petitioner could be prejudiced now or at any time in the past by a lack of access to the statutorily secret document. Thus Petitioner was understandably unable to allege or otherwise demonstrate in the context of a fraudulent concealment that it had exercised "due diligence in attempting to discover the cause of action" or that there was otherwise "more than ignorance on the part of Presform of its rights" (A. 14), as was pointed out by the Court of Appeals in summarizing the District Court's action and indicating that such was insufficient as a matter of law to overcome the statute of limitations defense (A. 14 and n. 5).

It is submitted that this question being based upon facts directly contrary to the record and being immaterial to the legal result herein is not appropriate for consideration by this Court.

FOURTH QUESTION: In this question and the related discussion Petitioner criticizes the Court below for "judicial speculation as to facts not in the record before them and resolutions of inferences from such extrapolations in favor of the movant" (P. 15). Since it is abundantly clear that the specifications cited in support of this charge are totally without significance in respect to the various findings made by the Court below and would not in any way affect the decision herein, a review of this question by this Court is markedly inappropriate.

First, Petitioner asserts that the Court speculated that Petitioner may have ceased business prior to July 3, 1964, the day four years prior to the filing of the complaints herein. In support of Petitioner's contentions that some damages may have been incurred after July 3, 1964, the District Court noted that Presform was unable to make affidavit or other proof that it was in business after July 3, 1964, or more particularly in the rotational casting machinery business such that it could have suffered damage in the context of the complaints herein. However, the Court went on to expressly note that even if this fact were properly demonstrated by affidavit or otherwise, additional factors which were not established would need to be demonstrated to defeat operation of the statute of limitations (A. 33-34 and 39-40). Thus, the decisions below did not turn on establishing this date since Petitioner's demonstration was otherwise deficient in establishing a position in this respect.

The only other specification of speculation or extrapolation for which Petitioner criticizes the Court of Ap-

peals is the statement that "evidence has faded and witnesses may have disappeared" (A. 14). Initially, it must be recognized that this statement was made in a summary context prior to an indication that the dismissal of these actions was consistent with the purpose of a statute of limitations. The particular sentence in question is an obvious paraphrasing by the Court of Appeals of an earlier quotation in its opinion from this Court's decision in *Order of Railroad Telegraphers v. Railway Express Agency, Inc.*, 321 U.S. 342, 348-349 (1944), as follows:

> "As the Supreme Court stated in *Order of Railroad Telegraphers v. Railway Express Agency,* 321 U.S. 342, 348-49 (1944), statutory limitation periods are:
>
> > '. . . designed to promote justice by preventing surprises through the revival of claims that have been allowed to slumber until evidence has been lost, *memories have faded, and witnesses have disappeared.* The theory is that even if one has a just claim it is unjust not to put the adversary on notice to defend within the period of limitation and that the right to be free of stale claims in time comes to prevail over the right to prosecute them.' " (Emphasis added) (A. 11)

Since the Court of Appeals was quite obviously stating the inevitable with respect to evidence and witnesses concerning operative facts dating back in excess of twenty years and since the technical correctness is only one factor in establishing whether the policy of a statute of limitations is being subverted and does not affect the actual operation of the statute under the facts herein, it is not seen that this purported question rises even to a specious status.

FIFTH QUESTION: Since the collateral estoppel holding is an alternative disposition extending only to the Respondent Sun in the '488 case to which McNeil is not a party, McNeil does not address itself to this question.

CONCLUSION

Since the four questions posed with respect to the dismissal of these cases as to Respondent McNeil have been demonstrated to be moot, hypothetical or abstract as not based upon facts of record, and/or not decided by the Court below, a review by this Court is inappropriate and unnecessary. The questions necessary to the disposition of these cases were carefully and thoroughly considered and decided in the District Court. The Sixth Circuit review was equally comprehensive.

In view of the absence of a substantively reviewable question, a conflict of decisions, or a significance which exceeds the interests of the parties to this action, the Petition For Writ of Certiorari should be denied.

Respectfully submitted,

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ADDENDUM I TO BRIEF

Appendix Exhibit No. 17 to the Exhibits of Appendix of the Record in the Court of Appeals for the Sixth Circuit.

OLDHAM & OLDHAM
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June 29, 1960

E. R. Hamilton, Esq.
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Dear Mr. Hamilton:

In furtherance to our verbal discussions looking towards settlement, we know that both Sun Rubber and Akron Presform will encounter extensive time, uncertainties, delay and expense in a hard fought accounting. From what we can find in the established authorities there appears to be little or no law on many of the problems that will be encountered in any thoroughgoing accounting with our set of facts. We as attorneys probably owe a duty to our clients to settle what could be a very vexatious accounting.

A few of the difficult facts, and some of the established law include the following:

1. There has been no infringement of Martin and Rekettye. The Miller machine is free and clear. How far can any court or master go, damage-wise, in holding the sale of these free machines to be damaging to plaintiff?

2. Did plaintiff itself have machines available for sale which it could not sell because of the sale of the Miller machines? Did other companies have machines available for sale?

3. Did the sale of the Miller machines actually damage Sun Rubber or did it help Sun Rubber in getting its process performed efficiently? Can Sun Rubber prove the difficult matter of damages?

4. It is well settled that there can be contributory infringement only if there is direct infringement. The only direct infringement proven is that of the Miller machines used at National Latex. Does Sun Rubber have to prove direct infringement by purchasers of Miller machines? How can this be done without the customers having to be sued and having their day in court?

5. A number of the Miller machines were sold out of the United States, others for use with non-infringing materials. The use of a machine may change from day to day. and Akron Presform has no control over such use.

Summarizing, it would appear that both parties might well benefit from an exploration of settlement in an effort to dispose of the matter on a reasonable basis based on a percentage of the price of the machines. Do you want to talk further on this basis? If so, might I suggest the matter might well be expedited if from the beginning the principals of the parties were brought into conference along with their lawyers.

Very truly yours,

OLDHAM & OLDHAM
By A. H. OLDHAM

AHO/mac